MR2100 – Marketing II

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|  | ***Chapter 10: Product Element in the Marketing Mix*** | |
|  | ***Learning Objectives:*** |  |
|  | *Upon completion of this unit the learner should be able to:*   1. *Define a product, product line and a product mix* 2. *Classify a Consumer Product* 3. *Classify an Industrial Product* 4. *Discuss the many ways that product “newness” can be defined* 5. *Discuss the factors that contribute to a product’s success and a product’s failure in the marketplace.* 6. *Identify the key stages in the new-product development process* 7. *Define and explain what is meant by the following:*    * *Durable vs. Non-durable goods*    * *Continuous innovation*    * *Dynamically Continuous Innovation*    * *Discontinuous Innovation*    * *Cross Functional Teams*    * *Six Sigma Quality Standard*    * *Idea generation*    * *Internal approach to Screening and Evaluation*    * *External Approach to Screening and Evaluation*    * *Business Analysis*    * *Product development*    * *Test markets*    * *Commercialization*    * *Slotting Fee*    * *Failure fee*    * *Time to market*    * *Parallel Development*    * *Serial development*    * *Fast Prototyping* |  |
|  | ***Overview of this Unit*** |  |
|  | *This unit takes a look at the way consumer and industrial goods are classified as well as the development process for new products.* |  |

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| **A Product** |
| A Product is:   * A Good * A Service * An Idea   **A Product Line vs A Product Mix**   |  |  | | --- | --- | | **Product Line** | **Product mix** | | a group of products that are closely related e.g. [General Motors](http://www.gmcanada.com/) has the Chevy, Pontiac, & Saturn lines of vehicles/ | a combination of all of the product lines of a company. [Bombardier](http://www.bombardier.com/) offers a range of products from airplanes to recreational products to trains. |        |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/link.gif | The site below contains many articles on the topics covered in this course:  <http://www.tutor2u.net/sub_marketing.asp> | |

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| **Classifying Products** |
| * Products can be classified a number of ways.   **Two key ways are:**   |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/bullet3.gif | The Degree of tangibility of the product. (Can you touch it or not!) | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/bullet3.gif | The Type of user. (Consumer or Industrial) |   **Classifying Consumer Goods**   |  |  | | --- | --- | | **Convenience Goods** | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/spot_pepsi.jpgGoods that are available to the consumer almost everywhere, that are relatively low valued and bought with relatively high frequency - A can of Pepsi. | | **Shopping Goods** | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/jeans.jpgGoods that must be compared with other goods. Usually higher priced, higher risk goods - Clothes. | | **Specialty Goods** | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/tilleyhat.jpgGoods that are unique, special and available in limited locations. Usually high priced prestigious goods - [Tilley Hats](http://www.tilley.com/) | | **Unsought Goods** | Goods that you had no intention on buying but bought anyway. Tend to be lower priced - All stores that surround mall food courts tend to sell “unsought” items. e.g. insurance |   **Classifying Industrial Goods**   |  |  | | --- | --- | | **Production Goods** | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/op_coil.jpgRaw materials used in the production process | | **Support Goods**https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/premochair_t.jpg | Supplies and services key to but not directly used in the production process:   * Installations - factories * Accessory equipment - tools and office equipment * Supplies - paper * Services - legal and tax | |

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| **Classification of Consumer Goods** |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Basis of Comparison** | **Convenience** | **Shopping** | **Specialty** | **Unsought** | | ***Product*** | Toothpaste, cake mix, hand soap, laundry detergent | Cameras, TVs, briefcases, clothing | Rolls Royce cars, Rolex watches | Burial insurance thesaurus | | ***Price*** | Relatively inexpensive | Fairly expensive | Usually very expensive | Varies | | ***Place (distribution)*** | Widespread; many outlets | Large numbers of selective outlets | Very limited | Often limited | | ***Promotion*** | Price, availability, and awareness stressed | Differentiation form competitors stressed | Uniqueness of brand and status stressed | Awareness is essential | | ***Brand loyalty of consumers*** | Aware of brand but will accept substitutes | Prefer specific brands, but will accept substitutes | Very brand loyal; will not accept substitutes | Will accept substitutes | | ***Purchase behaviour of consumers*** | Frequent purchases; little time and effort spent shopping | Infrequent purchases; needs much comparison shopping time | Infrequent purchases; needs extensive search and decision time | Very infrequent purchases; some comparison shopping | |

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| **What is a "New" Product?** |
| A product is considered new if:   |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/pin.gif | It is new *relative to existing products* on the market | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/pin.gif | It is new *in legal terms* (e.g. it may have been around for years but just patented) | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/pin.gif | New *from the company's perspective* - [Honda just started making pickup trucks](http://automobiles.honda.com/models/model_overview.asp?ModelName=Ridgeline), but the pickup truck itself is not a new vehicle concept - it does, however, constitute 40% of all vehicle sales in North America | | https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/pin.gif | New *from the consumer perspective*.  (the product may have existed in some markets for some time but may be new to a given market. | |

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| **Innovation of New Products** |
| **Dynamically Continuous Innovation**  This type of innovation entails an evolution in the product and its use. Very few changes in usage methods are required. For example, if you can drive a modern vehicle, you can also drive a vehicle from the 1940's.  **Discontinuous Innovation**  Here new usage methods must be learned as the product changes.  e.g. the use of DOS is different than the use of Windows.  This is the more challenging method for consumers to learn and the riskier method for manufacturers to choose. |

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| **Why New Products Fail in the Marketplace** |
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| **The New Product Process** |
| What follows is an outline of the key sequence of steps necessary to help ensure a new product's success when it is first introduced to the marketplace.  Before anything, an organization must be innovative and seek out new product ideas (by being both proactive and reactive).  Without this key element, none of the following steps are relevant.   |  |  | | --- | --- | | Step 1 | **Idea Generation**  Ideas for new products come about in a number of formal and informal ways.  Key sources of ideas come from:   * customer suggestions * employee suggestions * formal research and development (R&D) * analyzing competitor's products | | Step 2 | **Screening and Evaluation of New Products**  Once new ideas have been generated, they must be assessed for their appropriateness and value.  This assessment can be either:   * Internal - using a formalized evaluation procedure * External - pre-testing the concept on focus groups and customers | | Step 3 | **Business Analysis**  Once a product or idea has made it through the initial assessment then an analysis of its financial feasibility is completed.  Key concerns at this level are:   * What features should it have? * And considering this can it make money? | | Step 4 | **Development**  If a product idea makes it past the business analysis stage, then initial development must take place.  This usually involves building prototypes which are then evaluated for their functionality, ease of build and practicality. | | Step 5 | **Market Testing**  Once the prototype is built, it is market tested.  At this stage, changes are made based on customer, supplier and manufacturer input.  Test marketing is a difficult stage because input may not be representative of the overall market feelings, it is time and money-consuming and plans can be revealed to the competition. | | Step 6 | **Commercialization**  Once a product has made it through the market testing stage, it gets mass-produced and sold commercially.  The time and expense getting to this stage is great and cost may be increased when some retailers charge for display space for the product (Slotting Fee).  If the product does not sell as well as the product that occupied the shelf space previously, the retailer often attempts to recoup the lost revenues from a Failure Fee.  One way to speed up the commercialization of a complicated product is through ***Parallel Development***   * With parallel development, key components of the new product are designed, tested and built separately but simultaneously.  Boeing does this by designing and building a new jet liner, while at the same time another company designs and builds the engines.  Plane and engines are mated at the end of the process. | |

Discussion Questions

P272: 1,3,5,7